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IN OUR OPINION

Insurance rates need major repair

■ Ruling on credit scoring could shift pricing, but legislators must do more to address affordability

The Michigan Supreme Court will likely decide whether Michigan insurance companies have the right to use credit histories to help determine a customer's coverage rates. Either way, the decision will do little, if anything, to ease the problem of unaffordable urban insurance rates. Legislators, not judges, must drive the solutions.

Banning credit scores would raise rates for some and lower them for others, but it won't solve the larger problem of affordability and equity in insurance. In truth, this change would hurt as many as it helps — in and out of Michigan's great cities and across all economic lines. As many urban policy holders now enjoy good-credit discounts, amounting to 3% to 40%, as do rural and out-state residents.

Real problems demand real solutions. Michigan's unaffordable insurance rates are driving people out of Detroit and other large cities. They are practically forcing thousands of motorists to commit fraud to secure coverage or go, illegally, without it. Some drivers in Detroit, the nation's poorest big city according to statistics released this week, pay \$4,000 a year or more for auto insurance.

The problems of affordability and access are so severe that legislators must make difficult choices, such as allowing drivers the option to lower rates by buying less medical coverage, as they can in other states, and having fee schedules for auto insurance companies paying

for medical treatments and services, similar to the worker's compensation system. Other steps include authorizing the insurance commissioner to order refunds and requiring more public scrutiny of the Michigan Catastrophic Claims Association.

No one welcomes changes to Michigan's exemplary unlimited no-fault system, but having some protection is better than having none. Now, 17% of all Michigan drivers are on the road without insurance, up from 11% in 1989. In Detroit, the share may be as high as 50%. That's unacceptable.

Peter Kuhnmuensch, executive director of the Insurance Institute of Michigan, said the trade group plans to appeal the recent Court of Appeals ruling that would prohibit Michigan insurance companies from using customers' credit scores to help determine premiums. Numerous studies show a direct correlation between credit scores and risk, and the Court of Appeals decision would increase rates for roughly two-thirds of policy holders, he said.

Whether or not that's true, it's hard to see how eliminating the use of credit scores would do anything but shift, rather than reduce, overall insurance costs for urban and low-income policy holders.

Whatever the courts ultimately decide, legislators must continue to work on finding real ways to lower insurance costs and reduce disparities.

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